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SUBJECT: UK BY-ELECTION RESULTS PORTEND BIG PROBLEMS FOR GORDON BROWN AT NEXT GENERAL ELECTION

REF: LONDON 1147 AND PREVIOUS

Classified By: DCM Richard LeBaron, reasons 1.4 b, d

¶1. (C/NF) Summary. For the first time in 30 years, the UK's Conservative Party has taken back a parliamentary seat from the Labour Party, winning a huge upset victory in the May 22 Crewe and Nantwich by-election. By giving David Cameron's Tories 49 percent of the vote - as opposed to 31 percent for Labour and 15 percent for the Liberal Democrats - voters appear to be sending three messages to the government: 1) they are deeply unhappy about the economy, and PM Gordon Brown is largely to blame; 2) they are not just anti-Brown, but pro-Cameron; and 3) after 11 years of Labour government, it's time for a change. The election result is yet another massive setback for Brown, but he is not going to fall absent a massive internal Labour Party rebellion - which, if it happens, will probably not happen until the autumn. In the meantime, if these election results are any indication, the Tories will easily win a majority at the next general election. End summary.

What Happened, And Why

¶2. (SBU) Labour was resoundingly defeated in the May 22 Crewe and Nantwich by-election, which was held after the April 17 death of incumbent Labour MP Gwyneth Dunwoody. Dunwoody, a Labour party stalwart, had held the seat since 1974, achieving reelection in 2005 with a majority of 7,078; before that, Labour had held the seat since World War II. But Labour saw this majority wiped out by the Conservative Party, which took the seat with its own majority of 7,860 - a 17.6 percent swing. Voter turn-out was high at 58.2 percent, almost the same level as a general election. This was the first time in 30 years that the Tories have won a seat from Labour.

¶3. (SBU) In the immediate aftermath of the election, officials from both sides, as well as political analysts and media pundits, attributed the Tory landslide to widespread dissatisfaction with the state of the economy. Some cited a crisis in consumer confidence caused by a drop in housing prices and job security and a rise in oil prices. Others pointed to the anger and disaffection caused by HMG's handling of changes to the tax rates that have left the poorest income earners worse off (reftel).

Why Does It Matter?

¶4. (C/NF) This is just one by-election, in one constituency, so why does this result matter? Some Labour officials point out that by-election results are almost always anti-government, and that popular sentiment historically swings back to the party in power near a general election.

But these results matter because:

-- Labour didn't just lose this election - the Tories won. This contest was billed for weeks as a test of Brown's leadership, so the electorate was in no doubt about its significance. Traditionally, Labour voters looking to send a message to their leadership have stayed home, or voted for the third party Liberal Democrats, rather than vote for the Tories. The high turn out, and the poor LibDem showing, is a strong indicator that this was not just a protest vote. This election appears to be not just a vote against Brown, but for the Tories, who at last seem to be reemerging from the long shadow cast by the end of the Thatcher era and John Major's premiership.

-- The Tories could be headed for a landslide in the next general election. The overwhelming size of the victory is hugely significant. Based on the sizable majority Dunwoody had before her death, the Tories estimated that Crewe and Nantwich was the 165th most vulnerable Labour seat. The fact they won so handily in such a secure Labour stronghold is dire news for Gordon Brown and Labour. Sky News projects that if the same swing percentage of 17.6 percent from Labour to Tory were to apply across the board in the general election, the Tories would win 494 seats in Parliament, Labour 101, and the LibDems 25 - a huge 338 seat majority for David Cameron.

-- Gordon Brown's fall continues. Brown actually had a good week prior to the by-election, managing to depoliticize the controversial Human Embryology and Fertilization Bill and win on all the bill's measures, including maintaining the legal

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limit for abortion at 24 weeks and authorizing the use of animal-human hybrid embryos for research purposes. This election wipes out any small gains Brown might have made and adds to his already long list of woes (reftel).

Comment: Is Gordon Brown Going to Fall?

¶6. (C/NF) Will Brown fall? The answer in the short- to medium-term is no. Brown cannot be forced out unless he chooses to go. This could only be achieved by a massive internal Labour Party revolt. In the aftermath of this by-election, Labour Party insiders are telling us the party will try to rally around the PM. Senior Labour officials have admitted to us that the incessant back-stabbing of Brown within the party and to the media has not helped Labour overall, and that this needs to stop. Nonetheless, many Labour MPs will undoubtedly spend quite a few sleepless nights worrying about their own constituencies in the face of the Crewe and Nantwich rout. Parliament is in recess now, but will reconvene next week for about a month before adjourning for the summer on July 22. During that period, MPs will probably try to rally around Brown publicly, while pressing him and other senior officials for a serious change in strategy. If the polls don't change, however, Brown could face a challenge to his leadership come the autumn, probably centering on the Labour Party's fall conference September 20-24 in Manchester.

¶7. (C/NF) The electorate also appears to be eager for change, and Brown needs to be able to answer that call. His strategy on controversial measures up to now has been to stick to his guns while asking the electorate to trust that he knows best. He employed this tactic to counter anger at his refusal to give policemen, firemen and other first responders a raise commensurate with the cost of living in 2007, and to consider any changes to the new tax rate structure, which he stubbornly refused for weeks to review before suddenly reversing course in the face of a serious back bench rebellion. This is clearly no longer working. David Cameron has called the election results "the death of New Labour," and while a pronouncement of death is clearly

premature, Brown will certainly be seeking a new approach to contain the damage and seize back the initiative.

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